

June 1996

Executive Guide

Effectively Implementing the Government Performance and Results Act

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Preface

In recent years, an understanding has emerged that the federal government needs to be run in a more businesslike manner than in the past. As companies are accountable to shareholders, the federal government is accountable to taxpayers, and taxpayers are demanding as never before that the dollars they invest in their government be managed and spent responsibly.

As countless studies by GAO have long noted, federal agencies often fail to appropriately manage their finances, identify clearly what they intend to accomplish, or get the job done effectively and with a minimum of waste. After decades of seeing these problems recur in agency after agency, Congress moved to address this endemic situation on a governmentwide basis. Major statutes now in their first years of implementation hold substantial promise for creating a more accountable and effective federal government.

The Chief Financial Officers (CFO) Act of 1990 provided for chief financial officer positions in 24 major agencies and required annual reports on the financial condition of government entities and the status of management controls. Under the CFO Act, federal agencies will be subject to the same kinds of financial reporting that have long been required in the private sector and by state and local governments.

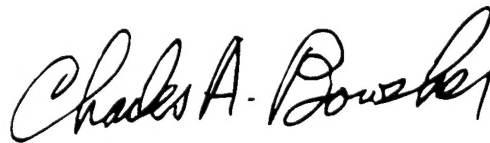
The Information Technology Management Reform Act of 1996 requires, among other things, that agencies set goals, measure performance, and report on progress in improving the efficiency and effectiveness of operations through the use of information technology.

And, most fundamentally, under the Government Performance and Results Act of 1993 (GPRA), every major federal agency must now ask itself some basic questions: What is our mission? What are our goals and how will we achieve them? How can we measure our performance? How will we use that information to make improvements? GPRA forces a shift in the focus of federal agencies—away from such traditional concerns as staffing and activity levels and toward a single overriding issue: results. GPRA requires agencies to set goals, measure performance, and report on their accomplishments.

This will not be an easy transition, nor will it be quick. And for some agencies, GPRA will be difficult to apply. But GPRA has the potential for adding greatly to government performance—a particularly vital goal at a time when resources are limited and public demands are high. To help

Congress and federal managers put GPRA into effect, we have identified key steps that agencies need to take toward its implementation, along with a set of practices that can help make that implementation a success. We learned of these practices from organizations that successfully have taken initiatives similar to the ones required by the act. Several federal agencies that have already put these practices to use are represented in the case illustrations that are part of this guide.

This guide is a companion to our Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology, which outlined a number of information management approaches that federal agencies can take to improve their overall performance. Improving the management of federal agencies will require responsible actions in several areas at once. Success will demand concerted effort and long-term commitment, but the returns should be considerable. And American taxpayers deserve no less for their investment.

A handwritten signature in black ink, reading "Charles A. Bowsher". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Charles A. Bowsher
Comptroller General of the United States

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Abbreviations

ARL	Army Research Laboratory
CFO	Chief Financial Officers Act
DOD	Department of Defense
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
NHTSA	National Highway Traffic Safety Administration
NOAA	National Oceanic and Atmospheric Administration
OMB	Office of Management and Budget
VA	Department of Veterans Affairs
VHA	Veterans Health Administration

Introduction

A Changing Environment Demands Federal Management Reform

Over the past several years, Congress has taken steps to fundamentally change the way federal agencies go about their work. Congress took these steps in response to management problems so common among federal agencies that they demanded governmentwide solutions. In addition, two contemporary forces converged to spur congressional action: year-in, year-out budget deficits that had to be brought down and a public now demanding not only that federal agencies do their jobs more effectively, but that they do so with fewer people and at lower cost.

This was—and remains—an enormous challenge. For one thing, many of the largest federal agencies find themselves encumbered with structures and processes rooted in the past, aimed at the demands of earlier times, and designed before modern information and communications technology came into being. These agencies are poorly positioned to meet the demands of the 1990s.¹ Moreover, many of these agencies find themselves without a clear understanding of who they are or where they are headed. Over the years, as new social or economic problems emerged, Congress assigned many agencies new and unanticipated program responsibilities. These additions may have made sense when they were made, but their cumulative effect has been to create a government in which many agencies cannot say just what business they are in.

In some cases, agencies' legislative mandates have grown so muddled that Congress, the executive branch, and other agency stakeholders and customers cannot agree on program goals, worthwhile strategies, or appropriate measures of success. Our work has shown that the effectiveness of federal program areas as diverse as employment assistance and training, rural development, early childhood development, and food safety has been plagued by fragmented or overlapping efforts.² A frequently cited example of overlap and ineffectiveness is the federal food safety system, which took shape under as many as 35 laws and was administered by 12 different agencies yet had not effectively protected the public from major foodborne illnesses.³

Traditionally, federal agencies have used the amount of money directed toward their programs, or the level of staff deployed, or even the number of tasks completed as some of the measures of their performance. But at a

¹Improving Government: Need to Reexamine Organization and Performance (GAO/T-GGD-93-9, Mar. 11, 1993).

²Government Reorganization: Issues and Principles (GAO/T-GGD/AIMD-95-166, May 17, 1995).

³Food Safety: A Unified, Risk-Based Safety System Needed to Enhance Food Safety (GAO/T-RCED-94-71, Nov. 4, 1993).

time when the value of many federal programs is undergoing intense public scrutiny, an agency that reports only these measures has not answered the defining question of whether these programs have produced real results. Today's environment is results-oriented. Congress, the executive branch, and the public are beginning to hold agencies accountable less for inputs and outputs than for outcomes, by which is meant the results of government programs as measured by the differences they make, for example, in the economy or program participants' lives. A federal employment training program can report on the number of participants. That number is an output. Or it can report on the changes in the real wages of its graduates. That number is an outcome. The difference between the two measures is the key to understanding government performance in a results-oriented environment.

Legislative Requirements Support Managing for Results

Congress' determination to make agencies accountable for their performance lay at the heart of two landmark reforms of the 1990s: the Chief Financial Officers (CFO) Act of 1990 and the Government Performance and Results Act of 1993 (GPRA). With these two laws, Congress imposed on federal agencies a new and more businesslike framework for management and accountability. In addition, GPRA created requirements for agencies to generate the information congressional and executive branch decisionmakers need in considering measures to improve government performance and reduce costs.

The CFO Act was designed to remedy decades of serious neglect in federal financial management operations and reporting. It provided for chief financial officers in the 24 largest federal departments and agencies, which together account for about 98 percent of the government's gross budget authority. In 1994, Congress followed up on the CFO Act with the Government Management Reform Act of 1994. The latter extended to all 24 CFO Act agencies the requirement, beginning with fiscal year 1996, to prepare and have audited financial statements for their entire operations.

While the CFO Act established the foundation for improving management and financial accountability among the agencies, GPRA is aimed more directly at improving their program performance. GPRA requires first that agencies consult with Congress and other stakeholders to clearly define their missions. It requires that they establish long-term strategic goals, as well as annual goals that are linked to them. They must then measure their performance against the goals they have set and report publicly on how

well they are doing.⁴ Federal agencies also are to apply these principles—goal setting, performance measurement, and reporting—to their information technology efforts, under the Information Technology Management Reform Act of 1996. For example, agencies are to establish performance measures to gauge how well their information technology supports their program efforts.

Experiences of Leading Organizations Show a Way

At the request of Congress, we studied a number of leading public sector organizations that were successfully pursuing management reform initiatives and becoming more results-oriented.⁵ We studied state governments, such as Florida, Oregon, Minnesota, North Carolina, Texas, and Virginia; and foreign governments, such as Australia, Canada, New Zealand, and the United Kingdom. Many of these organizations found themselves in an environment similar to the one confronting federal managers today—one in which they were called upon to improve performance while simultaneously reducing costs. Congress asked whether the experiences of these organizations could yield worthwhile lessons for federal agencies as they attempt to implement GPRA.

Each of the organizations we studied set its agenda for management reform according to its own environment, needs, and capabilities. Yet despite their differing approaches to reform, all these organizations were seeking to become more result-oriented, and they commonly took three key steps. These were to (1) define clear missions and desired outcomes, (2) measure performance to gauge progress, and (3) use performance information as a basis for decisionmaking. Although the organizations we studied were not acting under GPRA, their three key steps were consistent with GPRA's requirements. That is, the first step—define mission and desired outcomes—corresponds to the requirement in GPRA for federal agencies to develop strategic plans containing mission statements and outcome-related strategic goals; the second step—measure performance—corresponds to the GPRA requirement for federal agencies to develop annual performance plans with annual performance goals and indicators to measure performance; and the third step—use performance

⁴For a more detailed description of GPRA's requirements, see appendix I.

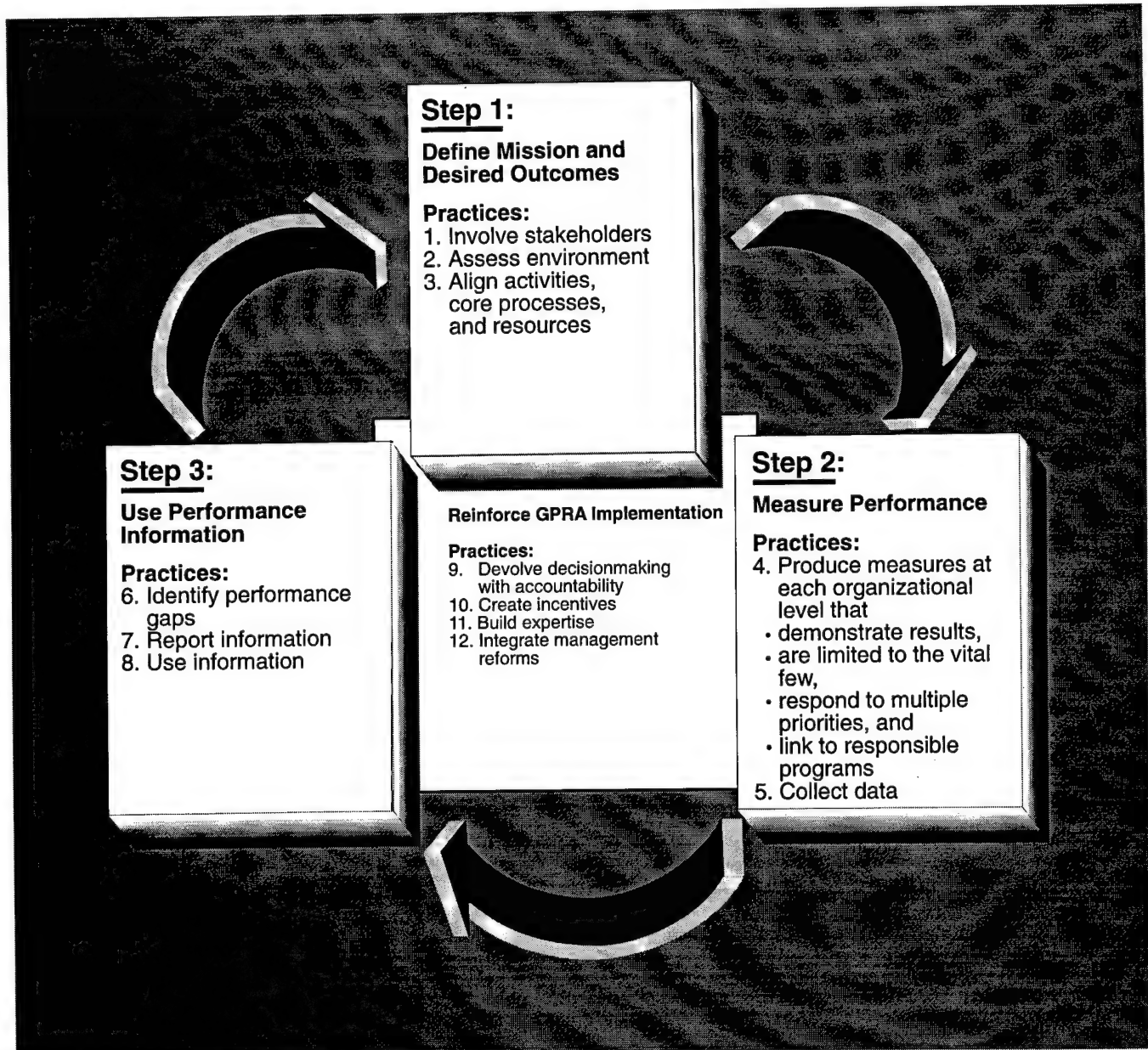
⁵See, for example, *Transforming the Civil Service: Building the Workforce of the Future*, Results Of A GAO-Sponsored Symposium (GAO/GGD-96-35, Dec. 26, 1995); *Managing for Results: Experiences Abroad Suggest Insights for Federal Management Reform* (GAO/GGD-95-120, May 2, 1995); *Managing For Results: State Experiences Provide Insights for Federal Management Reforms* (GAO/GGD-95-22, Dec. 21, 1994); *Government Reform: Goal-Setting and Performance* (GAO/AIMD/GGD-95-130R, Mar. 27, 1995); *Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology* (GAO/AIMD-94-115, May 1994). Also see our reports and testimonies included as footnotes and the Related GAO Products section of this guide.

information—although much broader, includes the requirement in GPRA for federal agencies to prepare annual performance reports with information on the extent to which the agency has met its annual performance goals.

Along with each step, certain practices proved especially important to the success of their efforts. In addition to these steps, these organizations also found that certain top leadership practices were central to making the changes needed for the organizations to become more results-oriented.

Taken together, the key steps and practices drawn from the organizations we studied provide a useful framework for federal agencies working to implement GPRA. The key steps and practices are shown in figure 1.

Figure 1: Implementing GPRA: Key Steps and Critical Practices



In this executive guide, we discuss the three key steps and their relationship to GPRA, along with the practices associated with each step.⁶ In the final section of this executive guide, we discuss the role of top leadership and the practices it can follow if it hopes to make GPRA a driving force in an organization. Accompanying the discussion of each practice is a case illustration involving a federal agency that has made progress in incorporating the practice into its operations. The fact that an organization is profiled for a particular practice is not meant to imply success or lack of success in other dimensions. Moreover, underscoring the fact that implementing management changes required by GPRA will not come quickly, most of the agencies profiled began their results-oriented management before GPRA was enacted.

The experiences of leading organizations suggest that the successful implementation of GPRA may be as difficult as it is important. For example, obtaining agreement among often competing stakeholders is never easy, particularly in an environment where available resources are declining. In addition, measuring the federal contribution to outcomes that require the coordinated effort of numerous public and private entities—such as improvements in education, employment, or health—can require sophisticated and costly program evaluations.

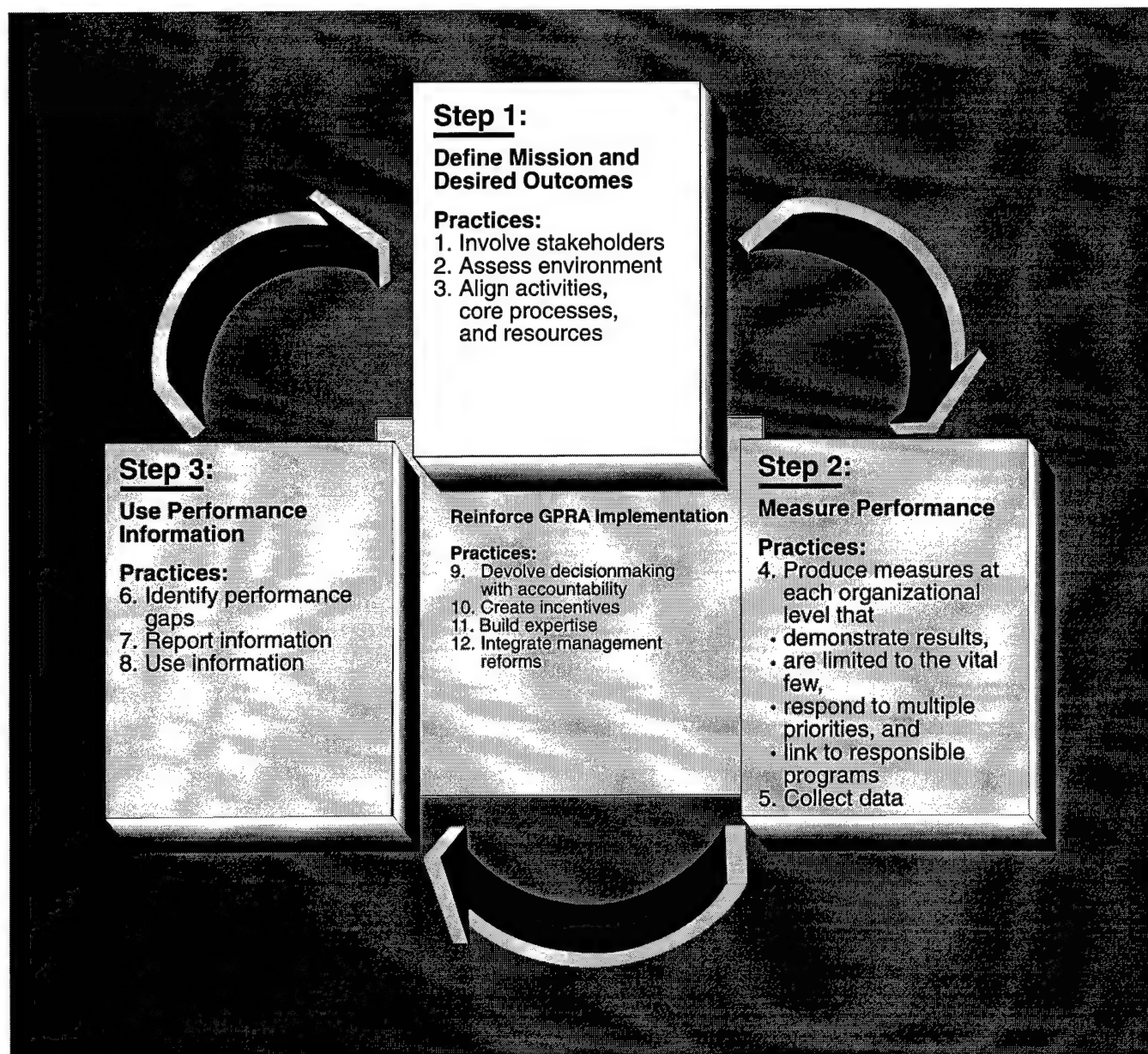
To help ensure the success of GPRA, the CFO Council, which the CFO Act created to provide the leadership foundation necessary to effectively carry out the Chief Financial Officers' responsibilities, established a GPRA Implementation Committee. The Committee is providing guidance and information to Chief Financial Officers and managers in the 24 agencies covered by the CFO Act. The Committee recognized that uncertainty or fear of failure may immobilize an agency's efforts to implement GPRA and that its implementation is evolutionary in that proficiency comes with time and experience. To assist federal managers, the Committee published guiding principles and key issues for implementing GPRA.⁷ Our guide is intended to complement the Committee's work in assisting managers as they implement GPRA. Our work has shown that although the steps and practices discussed in this guide don't come quickly or easily, they can serve as the fundamental building blocks to creating a results-oriented organization.

⁶For a detailed discussion of our objectives, scope, and methodology, see appendix II.

⁷Implementation of the Government Performance and Results Act (GPRA), A Report on the Chief Financial Officer's Role and Other Issues Critical to the Governmentwide Success of GPRA, Chief Financial Officers Council, GPRA Implementation Committee, May 1995.

Step 1: Define Mission and Desired Outcomes

Figure 2: Define Mission and Desired Outcomes



GPRA requires that federal agencies, no later than September 30, 1997, develop strategic plans covering a period of at least 5 years and submit them to Congress and the Office of Management and Budget (OMB). OMB provided guidance on the preparation and submission of strategic plans as a new part of its Circular No. A-11—the basic instructions for preparing the President's Budget—to underscore the essential link between GPRA and the budget process. OMB required agencies to submit major parts of their strategic plans by June 7, 1996.

Strategic plans are intended to be the starting point for each agency's performance measurement efforts. Each plan must include a comprehensive mission statement based on the agency's statutory requirements, a set of outcome-related strategic goals, and a description of how the agency intends to achieve these goals. The mission statement brings the agency into focus. It explains why the agency exists, tells what it does, and describes how it does it. The strategic goals that follow are an outgrowth of this clearly stated mission. The strategic goals explain the purposes of the agency's programs and the results they are intended to achieve.

In crafting GPRA, Congress recognized that federal agencies do not exist in a vacuum. As agencies develop their mission statements and establish their strategic goals, they are required by the act to consult with both Congress and their other stakeholders. Further, agencies must be alert to the environment in which they operate; in their strategic plans, they are required to identify the external factors that could affect their ability to accomplish what they set out to do.

We found that leading results-oriented organizations consistently strive to ensure that their day-to-day activities support their organizational missions and move them closer to accomplishing their strategic goals. In practice, these organizations see the production of a strategic plan—that is, a particular document issued on a particular day—as one of the least important parts of the planning process. This is because they believe strategic planning is not a static or occasional event. It is, instead, a dynamic and inclusive process. If done well, strategic planning is continuous and provides the basis for everything the organization does each day.

For strategic planning to have this sort of impact, three practices appear to be critical. Organizations must (1) involve their stakeholders; (2) assess their internal and external environments; and (3) align their activities, core processes, and resources to support mission-related outcomes.

Practice 1: Involve Stakeholders

Successful organizations we studied based their strategic planning, to a large extent, on the interests and expectations of their stakeholders. These organizations recognize that stakeholders will have a lot to say in determining whether their programs succeed or fail. Among the stakeholders of federal agencies are Congress and the administration, state and local governments, third-party service providers, interest groups, agency employees, and, of course, the American public.

In the federal government, stakeholder involvement is particularly important as federal agencies face a complex political environment in which legislative mandates are often ambiguous. Thus, the basic questions that must be answered in crafting a mission statement—what is our purpose, what products and services must we deliver to meet that purpose, and how will that be done—will present a significant challenge for many agencies. While statutory requirements are to be the starting point for agency mission statements, Congress, the executive branch, and other interested parties may all disagree strongly about a given agency's mission and goals. GPRA seeks to address such situations by requiring agencies to consult with Congress and other stakeholders to clarify their missions and reach agreement on their goals. Full agreement among stakeholders on all aspects of an agency's efforts is relatively uncommon because stakeholders' interests can differ often and significantly.

Still, stakeholder involvement is important to help agencies ensure that their efforts and resources are targeted at the highest priorities. Just as important, involving stakeholders in strategic planning efforts can help create a basic understanding among the stakeholders of the competing demands that confront most agencies, the limited resources available to them, and how those demands and resources require careful and continuous balancing. Because of its power to create and fund programs, the involvement of Congress is indispensable to defining each agency's mission and establishing its goals.⁸ This may entail identifying legislative changes that are needed to clarify or modify Congress' intent and expectations or to address differing conditions and citizens' needs that have occurred since the initial statutory requirements were established. Congressional consultations also may include additional guidance on Congress' priorities in those frequent cases where agencies have more than one statutory mission.

⁸Managing for Results: Achieving GPRA's Objectives Requires Strong Congressional Role (GAO/T-GGD-96-79, Mar. 6, 1996).

Involving customers is important as well. An agency's customers are the individuals or organizations that are served by its programs. This is not to say that contact between a federal agency and its customers is always direct. Many federally mandated or federally funded services are dispensed through third parties, such as state agencies, banks, or medical insurance providers. In such cases, federal agencies face the particularly challenging task of balancing the needs of customers, service providers, and other stakeholders, who at times may have differing or even competing goals.

In our reviews of successful results-oriented organizations, we found numerous examples of organizations that achieved positive results by involving customers and other stakeholders in defining their missions and desired outcomes.⁹ Oregon, for one, developed consensus on its statewide strategic plan by bringing together such diverse stakeholders as legislators, state agency officials, county and local government officials, and community group representatives. The Minnesota Trade Office, for another, used surveys to obtain its stakeholders' views on the degree to which the office was contributing to its customers' export activities. On the basis of the data it obtained, the Trade Office made program changes and improved both its performance and its responsiveness.

Case Illustration: Environmental Protection Agency

The Environmental Protection Agency (EPA) was established in 1970 under a presidential reorganization plan in response to public concerns over unhealthy air, polluted rivers, unsafe drinking water, and haphazard waste disposal. Congress gave EPA responsibility for implementing federal environmental laws. From the start, however, EPA lacked an overarching legislative mission, and its environmental responsibilities have yet to be integrated with one another. As a result, EPA could not ensure that it was directing its efforts toward the environmental problems that were of greatest concern to citizens or posed the greatest risk to the health of the population or the environment itself. Therefore, EPA decided in 1992 to launch the National Environmental Goals Project, a long-range planning initiative under which it would involve its stakeholders in developing measurable goals for EPA to pursue in improving the quality of the nation's environment.

EPA designed its National Environmental Goals Project to produce a set of long-range environmental goals, including milestones to be achieved by 2005. The agency recognized that while environmental goals should be

⁹GAO/GGD-95-22, Dec. 21, 1994.

grounded in science and factual analysis, they should be based, as well, on the needs and expectations of the nation's citizens. In 1994, EPA initiated a series of nine public meetings to hear their views. The meetings were held around the country and included environmental organizations, businesses, state and local governments, tribal governments, and other stakeholders. To provide a basis for discussion, EPA drafted and distributed to participants a set of goal statements and descriptive information on the 13 broad environmental goal areas that its staff considered to be of the greatest national importance.

EPA used the information it received at these public meetings to revise and better define these goals. For example, the agency added milestones for managing and cleaning up radioactive waste, restoring contaminated sites to productive use, and slowing habitat losses. Further, it added the goal of improving its dissemination of environmental information and its other education efforts. EPA found that its stakeholders' interests included how EPA does its core processes—for example, the amount of flexibility it can offer to the regulated community. EPA recognized these stakeholder interests in a summary report of its revised goals that it sent to Congress and its other stakeholders in February 1995.

EPA continued to involve stakeholders in the National Environmental Goals Project by soliciting comments on the summary report. Many of EPA's stakeholders are businesses or other regulated entities that wanted the agency to address such matters as the procedural costs of environmental regulations. EPA responded with a discussion of the overall costs and benefits of controlling pollution. At its stakeholders' request, it provided trend data and laid out strategies for achieving its environmental milestones. EPA recognizes that involving stakeholders is an ongoing effort that needs to be continued. The proposed goals are to be sent again to federal, state, local, and tribal government stakeholders for another round of review later this year, and plans are being made for public review.

Practice 2: Assess the Environment

Good managers have understood for a long time that many forces—both inside and outside their organizations—can influence their ability to achieve their goals. But even managers who try to stay alert to these forces often gather their information anecdotally or informally. In contrast, the successful organizations we studied monitor their internal and external environments continuously and systematically. Organizations that do this have shown an ability to anticipate future challenges and to make

adjustments so that potential problems do not become crises.¹⁰ By building environmental assessment into the strategic planning process, they are able to stay focused on their long-term goals even as they make changes in the way they intend to achieve them.

Both the external and internal environments are important, and neither can be viewed independently of the other. Assessing the external environment is particularly important, in part because so many external forces that fall beyond an organization's influence can powerfully affect its chances for success. For organizations both public and private, external forces can include newly emerging economic, social, and technological trends and new statutory, regulatory, and judicial requirements. An organization's internal forces include its culture, its management practices, and its business processes. Today, federal agencies find that monitoring these internal forces is especially important, given the effects of funding reductions and reorganizations. The tools available to organizations assessing the internal environment include program evaluations, employee surveys, independent audits, and reviews of business processes.

Case Illustration: United States Customs Service

The missions of the Customs Service—the oldest federal agency—are to ensure that goods and persons entering and exiting the United States comply with all U.S. laws and regulations, while also facilitating the legitimate movement of goods and persons through U.S. ports. But long-standing management problems, including weaknesses in strategic planning, had threatened the agency's ability to adapt to changing demands. Customs' strategic planning efforts now focus on the dramatic changes occurring in its external and internal environments and on the equally dramatic changes the agency will need to make in response.

Recognizing that the international trade environment has undergone many changes in recent years, the Customs Service identified the new challenges these changes brought it in its 1993 strategic plan. The clearest challenge for Customs would be to manage a workload that was growing rapidly and that could not be expected to taper off. From fiscal year 1986 to 1995, for example, total import entries increased by 242 percent, from 11.1 million to 38.0 million. During the same period, passenger arrivals increased by 42 percent, from 304 million to 431 million. Customs anticipated that world trade would also continue to accelerate. During 1995 alone, approximately

¹⁰For a discussion of environmental monitoring as a critical aspect of strategic thinking, see Henry Mintzberg, *The Fall and Rise of Strategic Planning* (New York: Free Press and Prentice Hall International, 1994).

\$761 billion in merchandise was imported into the United States. For the rest of the decade, Customs expects that figure to grow by more than 10 percent each year.

Customs anticipated that trade issues would assume greater prominence in the coming years as developing countries continue to industrialize, corporations continue to expand internationally, and trade barriers continue to fall. Further, the proliferation of international trade agreements, such as the U.S.-Canada Free Trade Agreement of 1989, the North American Free Trade Agreement, and the General Agreement on Tariffs and Trade, should lead to further increases in trade and travel volume.

Internally, Customs anticipated that as public pressures to reduce the federal deficit continued, no real growth would occur in the agency's funding. Customs also anticipated attrition among its staff and a loss of valuable expertise due to that attrition. It determined that by 1998 about 10 percent, or about 2,000 employees, would be eligible to retire.

All of these forces—external and internal—have caused the Customs Service to begin to reengineer its core processes, including those related to the movement of people and cargo into the United States and the movement of cargo out of the United States. For example, the agency is undertaking a major reorganization structured from the ground up, using its 301 ports as its foundation. While headquarters staffing is to be streamlined, the staffing levels at the ports are to be maintained or increased. Under the reorganization, port directors are to be given some of the authority previously exercised at the district or regional levels.

It is too soon to tell how effective Customs' reorganization will be in responding to the pressures it faces. But by assessing its external and internal environments, the agency came to see that its traditional ways of pursuing its mission were no longer viable and that major changes would be needed.

Practice 3: Align Activities, Core Processes, and Resources

Leading organizations recognize that sound planning is not enough to ensure their success. An organization's activities, core processes, and resources must be aligned to support its mission and help it achieve its goals. Such organizations start by assessing the extent to which their programs and activities contribute to meeting their mission and desired outcomes. As the organizations became more results-oriented, they often

found it necessary to fundamentally alter activities and programs so that they more effectively and efficiently produced the services to meet customers' needs and stakeholders' interests. For example, we have traced the management problems of many federal agencies to organizational structures that are obsolete and inadequate to modern demands.¹¹ As federal agencies become more outcome-oriented, they will find that outmoded organizational structures must be changed to better meet customer needs and address the interests of stakeholders.

As agencies align their activities to support mission-related goals, they should also make better linkages between levels of funding and their anticipated results. Under a series of initiatives called Connecting Resources to Results, OMB is seeking to adopt a greater focus on agencies' goals and performance in making funding decisions. For example, OMB fiscal year 1996 budget preparation guidance said agencies were to identify key features of their streamlining plans (e.g., increased span of control, reduced organizational layers, and/or milestones for full-time equivalents) and encouraged agencies to include performance goals and indicators in their budget justifications.¹² Whereas the agencies' fiscal year 1995 documents discussed streamlining primarily in terms of the number of positions to be eliminated, the fiscal year 1996 budget documents included discussions about how proposed staff reductions could affect the agencies' performance. Under OMB's guidance, agencies' fiscal year 1997 budget requests were to contain a significantly greater amount of performance information to help define funding levels and projected program results. For the fiscal year 1998 budget, OMB plans to continue to increase the role of performance goals and information in guiding funding decisions.

We also have found that leading organizations strive to ensure that their core processes efficiently and effectively support mission-related outcomes. These organizations rely increasingly on a well-defined mission to form the foundation for the key business systems and processes they use to ensure the successful outcome of their operations. For example, many successful public and private organizations integrate their human resource management activities into their organizational missions, rather than treating them as an isolated support function.¹³ This sort of integrated approach may include tying individual performance management, career

¹¹Government Management Issues (GAO/OCG-93-3TR, Dec. 1992).

¹²Office of Management and Budget: Changes Resulting From the OMB 2000 Reorganization (GAO/GGD/AIMD-96-50, Dec. 29, 1995).

¹³GAO/GGD-96-35, Dec. 26, 1995.

development programs, and pay and promotion standards to organizational mission, vision, and culture.

Information management is another activity that organizations must address in aligning their activities and processes.¹⁴ Modern information management approaches, coupled with new information technology, can make success more or less likely—depending on the way they are handled. We found that successful organizations pursue something called strategic information management—that is, comprehensive management of information and information technology to maximize improvements in mission performance. Strategic information management will be an important part of any federal agency's attempt to implement GPRA successfully. Managing better requires that agencies have, and rely upon, sound financial and program information. Strategic information management would lead to systems that would better provide federal agencies the data they need in considering ways to realign their processes, reduce costs, improve program effectiveness, and ensure consistent results with a less bureaucratic organization. Lacking these data, the agencies would be missing one of the indispensable ingredients of successful management.

Case Illustration: Federal Emergency Management Agency

Established in 1979, the Federal Emergency Management Agency (FEMA) is responsible for the coordination of civil emergency planning and mitigation as well as the coordination of federal disaster relief. FEMA is responsible for responding to floods, hurricanes, earthquakes, and other natural disasters. Hurricane Hugo and the Loma Prieta earthquake in 1989 generated intense criticism of the federal response effort. Hurricane Andrew, which leveled much of South Florida in 1992, raised further doubts as to whether FEMA was capable of responding to disasters. In 1993, FEMA's new Director refocused the agency on meeting its mission and aligning its activities to better serve the public.

Since FEMA issued its mission statement in April 1993, it has been reexamining its approach to limiting deaths and property losses from disasters. Traditionally, FEMA had concentrated its efforts on post-disaster assistance. But after taking a hard look at its performance, FEMA concluded that it could better fulfill its mission by addressing the range of activities available before, during, and after disaster strikes.

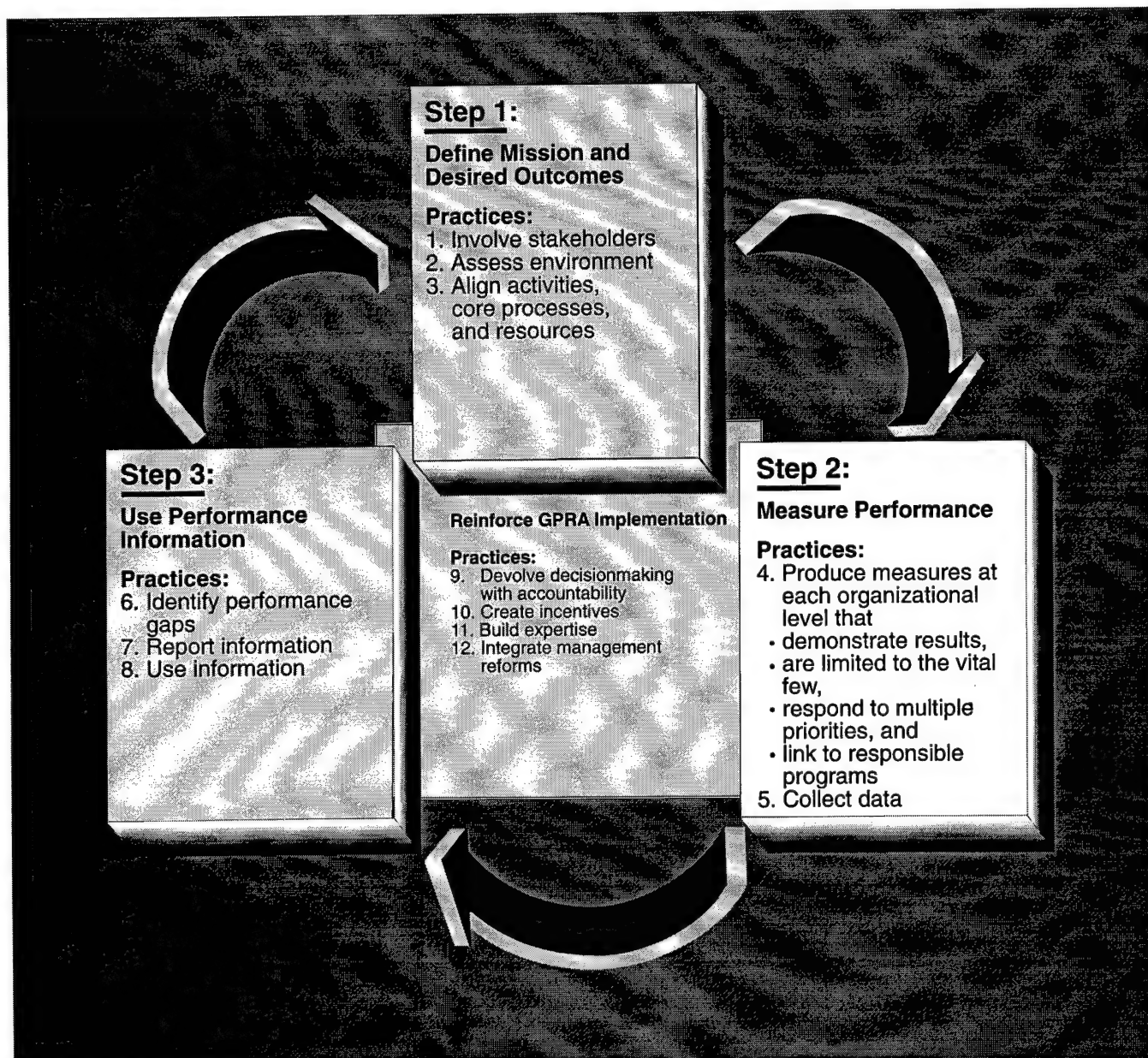
¹⁴GAO/AIMD-94-115, May 1994.

As part of its first agencywide strategic planning effort, FEMA comprehensively reviewed its programs and structures and initiated a major reorganization in November 1993. FEMA concluded that all emergencies share certain common traits, pose some common demands, and ought to be approached functionally. FEMA's new, "all-hazard" mission takes a multifaceted, sequential approach to managing disasters: mitigation, preparedness, response, and recovery.

FEMA now focuses its disaster planning and response processes on steps that need to be taken, not just during and after the event, but in advance. To build preparedness, FEMA now seeks to build partnerships with other federal, state, and local organizations. For example, the agency is working with local governments and the building industry to strengthen building codes so that structures will be better able to withstand disasters. It has also launched an effort to increase the number of flood insurance policyholders—something that had not been a traditional focus of the agency but that is now understood as being critical to helping individuals recover from disasters. By more closely aligning its activities, processes, and resources with its mission, FEMA appears today to be better positioned to accomplish that mission.

Step 2: Measure Performance

Figure 3: Measure Performance



The second key step that successful results-oriented organizations we studied take—after defining their missions and desired outcomes—is to measure their performance. Measuring performance allows these organizations to track the progress they are making toward their goals and gives managers crucial information on which to base their organizational and management decisions. Leading organizations recognize, as well, that performance measures can create powerful incentives to influence organizational and individual behavior.

GPRA incorporates performance measurement as one of its most important features. Under the act, executive branch agencies are required to develop annual performance plans that use performance measurement to reinforce the connection between the long-term strategic goals outlined in their strategic plans and the day-to-day activities of their managers and staff. The annual performance plans are to include performance goals for an agency's program activities as listed in the budget, a summary of the necessary resources to conduct these activities, the performance indicators that will be used to measure performance, and a discussion of how the performance information will be verified. For the first time, GPRA requires that agencies' annual program performance planning efforts be linked directly to their budget estimates and obligations. This linkage is achieved by requiring performance goals and measures for agencies' program activities that are included in their budget requests. Congress recognized that the activity structure in the budget of the United States government is not consistent across various programs. As a result, Congress expects agencies to consolidate, aggregate, or disaggregate the lists of program activities appearing in the budget accounts.

The first of these annual performance plans is to cover fiscal year 1999; each agency is to submit its plan to OMB in the fall of 1997. However, OMB is requiring descriptions of the proposed performance goals and indicators for fiscal year 1999 with the agency's fiscal year 1998 budget request.

In developing GPRA, Congress recognized that federal agencies—unaccustomed as they are to the practice—may find that developing performance measures is a difficult and time-consuming task. As a result, it provided for selected agencies and programs to pilot GPRA's goal-setting and performance measurement requirements before these are applied governmentwide. Our work with leading results-oriented organizations confirmed that many agencies may need years to develop a sound set of performance measures.

We learned, as well, that agencies that were successful in measuring their performance generally had applied two practices. First, they developed performance measures based on four characteristics. These measures were (1) tied to program goals and demonstrated the degree to which the desired results were achieved, (2) limited to a vital few that were considered essential for producing data for decisionmaking, (3) responsive to multiple priorities, and (4) responsibility-linked to establish accountability for results. Second, recognizing that they must balance their ideal performance measurement systems against real-world considerations, such as the cost and effort involved in gathering and analyzing data, the organizations we studied made sure that the data they did collect were sufficiently complete, accurate, and consistent to be useful in decisionmaking.

Practice 4: Produce a Set of Performance Measures at Each Organizational Level That Demonstrate Results, Are Limited to the Vital Few, Respond to Multiple Priorities, and Link to Responsible Programs

As the leading organizations we studied strive to align their activities and resources to achieve mission-related goals, they also seek to establish clear hierarchies of performance goals and measures. Under these hierarchies, the organizations try to link the goals and performance measures for each organizational level to successive levels and ultimately to the organization's strategic goals. They have recognized that without clear, hierarchically linked performance measures, managers and staff throughout the organization will lack straightforward roadmaps showing how their daily activities can contribute to attaining organizationwide strategic goals and mission. Federal agencies that are developing such hierarchies for their organizations are finding that organizationwide performance measurement efforts take time and require the active involvement of staff at all organizational levels.

The experiences of leading state, foreign, and federal governments show that at least four characteristics are common to successful hierarchies of performance measures.¹⁵ These characteristics include the following:

Demonstrate results: Performance measures should tell each organizational level how well it is achieving its goals. Yet, simple as this principle may appear, it poses an especially difficult challenge for federal managers, for whom the link between federal efforts and desired outcomes is often difficult to establish and may not, in fact, be apparent for years. Research programs provide one example. So do many health and

¹⁵Managing for Results: Critical Actions for Measuring Performance (GAO/T-GGD/AIMD-95-187, June 20, 1995).

welfare programs that are delivered jointly with state and local governments and third-party service deliverers.

Limited to the vital few: The number of measures for each goal at a given organizational level should be limited to the vital few. Those vital few measures should cover the key performance dimensions that will enable an organization to assess accomplishments, make decisions, realign processes, and assign accountability. Organizations that seek to manage an excessive number of performance measures may risk creating a confusing excess of data that will obscure rather than clarify performance issues. Limiting the number of performance measures to the vital few at each organizational level will not only keep the focus where it belongs, it will help ensure that the costs involved in collecting and analyzing the data do not become prohibitive. As a result, lower organizational levels may use different measures and goals from those meaningfully or appropriately included in the organization's annual performance plan. Likewise, agencies will have more goals and measures than can be meaningfully or appropriately included in the governmentwide performance plan OMB will develop under GPRA. However, as performance plans are compiled for higher organizational levels, the consolidation and possible exclusion of some goals and measures does not mean that those goals and measures are not important to guide the efforts of the lower levels and should still be monitored.

Respond to multiple priorities: Government agencies often face a variety of interests whose competing demands continually force policymakers and managers to balance quality, cost, customer satisfaction, stakeholder concerns, and other factors. Performance measurement systems must take these competing interests into account and create incentives for managers to strike the difficult balance among competing demands. Performance measurement efforts that overemphasize one or two priorities at the expense of the others may skew the agency's performance and keep its managers from seeing the whole picture.

Link to responsible programs: Performance measures should be linked directly to the offices that have responsibility for making programs work. A clear connection between performance measures and program offices helps to both reinforce accountability and ensure that, in their day-to-day activities, managers keep in mind the outcomes their organization is striving to achieve. This connection at the program office helps to lay the groundwork for accountability as measures advance through the agency. By helping to lay the groundwork for accountability, a connection between

performance measures and program offices also provides a basis for determining the appropriate degree of operational authority for various organizational levels. Managers must have the authority and flexibility for achieving the results for which they are to be held accountable.

Case Illustration: National Oceanic and Atmospheric Administration

The mission of the National Oceanic and Atmospheric Administration (NOAA) is to describe and predict changes in the earth's environment, as well as to conserve and manage the nation's coastal and marine resources to ensure sustainable economic opportunities. NOAA concluded in its 1995 strategic plan that the nation's ability to prepare for severe weather events, including tornadoes, thunderstorms, hurricanes, and flash flooding, depends on the quality and timeliness of the agency's observations, assessments, and information delivery. Through strategic planning, NOAA evaluated how best to accomplish its mission and then put into place those performance measures essential to demonstrating the extent to which it was attaining its desired outcomes.

NOAA determined that the most important business of its short-term warning and forecast weather services was to predict the time and location of weather events and to do so with accuracy. Rather than simply count the number of forecasts it made—that is, to simply gather data on its activity level—NOAA began to measure the extent to which it could increase the lead time or advance notice it gave the public prior to severe weather events. It decided, in other words, to measure what counts.

NOAA reported that from fiscal year 1993 to fiscal year 1995, its lead time for predicting tornadoes increased from 7 minutes to 9 minutes, and the accuracy of its predictions increased from 47 percent of the time to 60 percent of the time. For fiscal year 1996, NOAA has set targets of 10 minutes and 64 percent, respectively.

NOAA also measured how accurately it could predict the range where hurricanes would reach land, given a 24-hour lead time. From fiscal year 1993 to fiscal year 1995, its accuracy improved from 185 kilometers (115 miles) to 134 kilometers (83 miles). It credited the improvement to its installation in June 1995 of a new hurricane tracking model. On the basis of fiscal year 1995 performance, NOAA revised its fiscal year 1996 target from 155 kilometers (96 miles) to 150 kilometers (93 miles). Although the new fiscal year 1996 target of 150 kilometers is higher than the fiscal year 1995 actual performance of 134 kilometers, NOAA wants to test the new

model through at least another hurricane season before radically revising its targets for future years.

The significance of earlier and more accurate hurricane warnings is enormous. Most importantly, they help prevent deaths and injuries. But they also save money, because earlier and more accurate predictions of hurricane tracks and intensities can reduce the size of the warning areas in which people are advised to prepare for the event. NOAA calculated that for each hurricane, the public's preparation and evacuation costs exceed \$50 million, but improved predictions can cut that cost by \$5 million. In addition, NOAA officials believe that the public takes more accurate forecasts more seriously—which helps lessen loss of life and property.

Practice 5: Collect Sufficiently Complete, Accurate, and Consistent Data

As the organizations we examined developed their performance measures, they paid special attention to issues relating to data collection. Although they recognized that adequate and reliable performance data are indispensable to decisionmaking, they were also aware that collecting the data can be costly and difficult. As a result, as agencies implement GPRA, they will have to balance the cost of data collection efforts against the need to ensure that the collected data are complete, accurate, and consistent enough to document performance and support decisionmaking at various organizational levels.

As the experiences of these organizations demonstrated, managers striving to reach organizational goals must have information systems in place to provide them with needed information.¹⁶ In Texas, for example, officials said that the state restructured its statewide information systems to include the missions and goals of its agencies, specific strategies for achieving objectives, and measures of progress. The system also linked budgeted expenditures, accounting information, and performance data.

Our work has shown consistently that the federal government's basic financial and information management systems are woefully out of date and incapable of meeting modern needs for fast, reliable, and accurate information—particularly as these needs relate to financial reporting and program costs. As the leading organizations we studied became more results-oriented, many of them made significant investments in their information management systems. Many federal agencies will need to do the same. But agencies can keep costs down by applying the performance measurement principles these leading organizations have employed and

¹⁶GAO/GGD-95-22, Dec. 21, 1994.

also—where they can—by building performance data collection into the processes that govern daily operations, rather than creating entirely new and separate data collection systems.

Case Illustration: National Highway Traffic Safety Administration

The National Highway Traffic Safety Administration's (NHTSA) mission is to reduce casualties and economic losses resulting from motor vehicle crashes. To accomplish its mission, NHTSA pursues two main strategies: setting and enforcing safety performance standards for motor vehicles and promoting safe driving behavior. After it was established in 1970, NHTSA concluded that reliable crash statistics databases were needed. The need was twofold: to help in identifying and analyzing traffic safety problems and for evaluating the effectiveness of motor vehicle safety standards and highway safety initiatives. To fill this need, NHTSA developed data collection systems derived from existing data sources and has taken steps to ensure the completeness, accuracy, and consistency of these data.

NHTSA has developed two data systems that, taken together, serve as a single source of motor vehicle crash statistics. The Fatal Accident Reporting System has enabled NHTSA to document that the rate for one of its desired outcomes—reduction in the fatality rate—decreased from 2.3 to an estimated 1.7 per 100 million vehicle miles of travel from 1988 to 1995.¹⁷ Also, NHTSA has used data from the General Estimates System to document another one of its desired outcomes—a reduction in injury rates—from 169 to an estimated 138 injuries per 100 million vehicle miles of travel from 1988 to 1995.

The Fatal Accident Reporting System contains accident data provided by the 50 states, Puerto Rico, and the District of Columbia. According to NHTSA documents, throughout the states, Puerto Rico, and the District of Columbia, trained state employees gather and transmit these data to NHTSA's central computer database in a standard format. State employees obtain data solely from each state's existing documents—including police accident reports, vehicle registration files, and vital statistics records—and then enter them into a central computer database. NHTSA analysts periodically review a sample of the cases.

The General Estimates System contains data from a nationally representative sample of police-reported accidents. To compile the

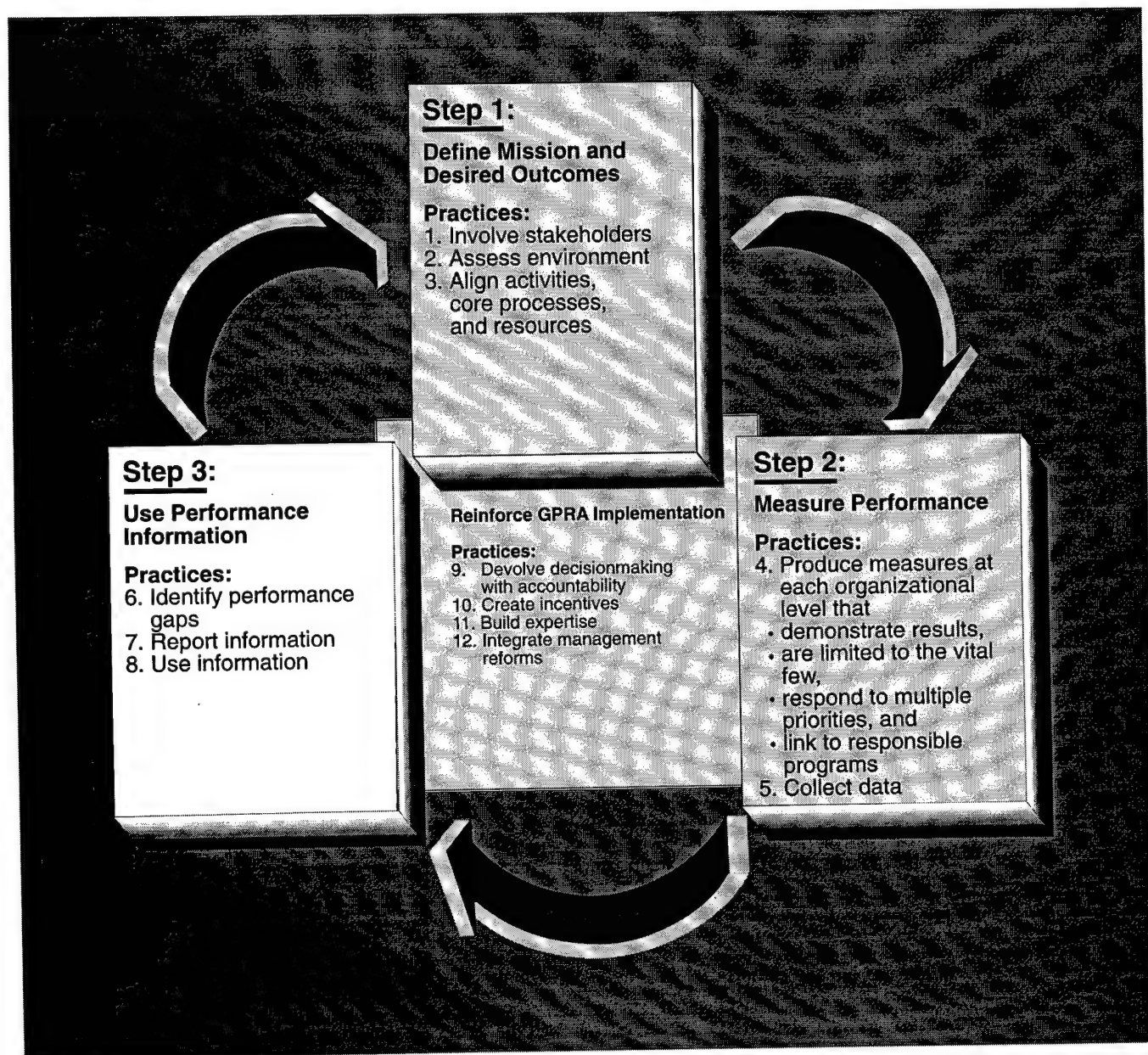
¹⁷Vehicle miles of travel is published by the Federal Highway Administration, as reported by state highway agencies, and is based on formal guidance provided by the Administration.

database, NHTSA data collectors randomly sample about 48,000 reports each year from approximately 400 police jurisdictions in 60 sites across the country, according to NHTSA documents. NHTSA staff then interpret and code the data directly from the reports into a central electronic data file. The data are checked for consistency during both coding and subsequent processing.

NHTSA has recognized that its data have limitations. For example, the General Estimates System is based on police reports, but various sources suggest that about half of the motor vehicle crashes in the country are not reported to police, and the majority of these unreported crashes involve only minor property damage and no significant injury. A NHTSA study of the costs of motor vehicle injuries estimated the total count of nonfatal injuries at over 5 million compared to the General Estimates System estimate for that year of 3.2 million. NHTSA intends to study the unreported injury problem.

Step 3: Use Performance Information

Figure 4: Use Performance Information



The third key step in building successful results-oriented organizations—after establishing an organizational mission and goals and building a performance measurement system—is to put performance data to work. Managers should use performance information to continuously improve organizational processes, identify performance gaps, and set improvement goals.¹⁸

When the CFO Act and GPRA are fully implemented, decisionmakers are to routinely receive the performance and cost information they need to assess their programs and make informed decisions. Congressional decisionmaking should also benefit. GPRA was intended, in part, to improve congressional decisionmaking by giving Congress comprehensive and reliable information on the extent to which federal programs are fulfilling their statutory intent. The act requires that each agency report annually to the President and to Congress on its performance—specifically, on the extent to which it is meeting its annual performance goals and the actions needed to achieve or modify those goals that have not been met. Annual performance reports are intended to provide important information to agency managers, policymakers, and the public on what each agency accomplished with the resources it was given. The first of these reports, covering fiscal year 1999, is due by March 31, 2000.

In crafting GPRA, Congress recognized that different information users would have differing information needs. Federal agencies must determine what information is both relevant and essential to different internal and external information users and include only the information the users require.¹⁹ Most important, agency managers need performance information to ensure that programs meet intended goals, assess the efficiency of processes, and promote continuous improvement. Congress needs information on whether and in what respects a program is working well or poorly to support its oversight of agencies and their budgets.²⁰ Agencies' stakeholders need performance information to accurately judge program effectiveness.

In short, we have found that leading organizations that progressed the farthest to results-oriented management did not stop after strategic planning and performance measurement. They applied their acquired knowledge and data to identify gaps in their performance, report on that

¹⁸GAO/T-GGD/AIMD-95-187, June 20, 1995.

¹⁹Chief Financial Officers Council, Streamlining Governmentwide Statutory Reports (Jan. 17, 1995).

²⁰Managing for Results: Status of the Government Performance and Results Act (GAO/T-GGD-95-193, June 27, 1995); and Program Evaluation: Improving the Information Flow to the Congress (GAO/PEMD-95-1, Jan. 30, 1995).

performance, and finally use that information to improve their performance to better support their missions.

Practice 6: Identify Performance Gaps

Performance data can have real value only if they are used to identify the gap between an organization's actual performance level and the performance level it has identified as its goal. Once the performance gaps are identified for different program areas, managers can determine where to target their resources to improve overall mission accomplishment. When managers are forced to reduce their resources, the same analysis can help them target reductions to keep to a minimum the threat to their organization's overall mission.

The leading organizations we studied recognized that improvement goals should flow from a fact-based performance analysis and be rooted in organizational missions.²¹ Such organizations typically assess which of their processes are in greatest need of improvement in terms of cost, quality, and timeliness. By analyzing the gap between where they are and where they need to be to achieve desired outcomes, management can target those processes that are in most need of improvement, set realistic improvement goals, and select an appropriate process improvement technique.²² One technique these organizations used is benchmarking—comparing their processes with those of private and public organizations that are thought to be the best in their fields. By benchmarking its own processes against those of the best in the business, an organization can learn how much change it needs to make and what changes might be the right ones.

Case Illustration: Veterans Health Administration

The Veterans Health Administration (VHA) in the Department of Veterans Affairs runs one of the nation's largest medical care delivery systems, consisting of a network of medical centers, nursing homes, domiciliaries, and outpatient clinics that provide health care services to nearly 2.8 million patients each year. VHA recognizes that its ability to survive growing market pressures, answer criticisms of health care quality, and sustain and improve services to an aging veteran population depends on its ability to analyze data to pinpoint areas needing change and improvement. VHA has initiated numerous studies

²¹Government Reform: Using Reengineering and Technology to Improve Government Performance (GAO/T-OCG-95-2, Feb. 2, 1995).

²²GAO/T-GGD/AIMD-95-187, June 20, 1995.

to identify performance gaps. With better data in hand, VHA is taking actions to improve its products and services.

VHA has provided medical care to veterans for over 60 years. Traditionally, however, the agency has lacked the sort of data needed to assess the quality, cost, and effectiveness of its care. VHA's current data analysis efforts are structured to provide caregivers with improved data on medical outcomes. It has begun to use this performance information to improve service to veterans.

An example is VHA's effort to benchmark the success of cardiac surgeries in VHA facilities. VHA's database, which contains over 51,000 records on cardiac surgical outcomes, is risk-adjusted for severity of illness on the basis of 54 variables, including age and previous medical history, collected prior to surgery. VHA was able to identify the differences in surgical outcomes among the 43 VHA medical centers performing cardiac surgery. On the basis of these analyses, VHA recommended a number of techniques and processes for shortening the postoperative hospital stay, decreasing excessive diagnostic testing, and reducing the risk of postoperative infections or complications. According to VHA, because it adopted these and other techniques, the performance data show that cardiac teams lowered their mortality rates for all cardiac procedures over the last 8 years by an average of 13 percent.

Another VHA data analysis effort is the External Peer Review Program. The program compares VHA medical centers' performances against established community standards. As part of the effort, panels composed of physicians not affiliated with VHA review medical records to determine if community standards have been met. One performance gap VHA identified through this benchmarking was the low vaccination rate of elderly and chronically ill VHA patients who are at high risk for contracting one type of potentially fatal pneumonia. VHA has worked with the National Institute on Aging in the Department of Health and Human Services and the American Lung Association to raise its pneumonia immunization rate for these patients from 19 percent to 29 percent over the past 2 years.

VHA also is analyzing performance data to switch some of its focus from inpatient to ambulatory care. For example, according to VHA, after careful data analysis, its medical center in Little Rock, Arkansas, determined that only a small percentage of the patients admitted to its 28-day inpatient detoxification program needed acute medical attention. As a result, the program was converted in fiscal year 1995 to an outpatient program with

only a small inpatient capacity. The center reportedly now serves more patients with eight fewer full-time staff members and anticipates that savings from the first year of the new outpatient program will be \$600,000—with no lessening in the quality of patient care.

Practice 7: Report Performance Information

No picture of what the government is accomplishing with the taxpayers' money can be complete without adequate program cost and performance information. But this information must be presented in a way that is useful to the many audiences who rely on it to help them assess and manage federal programs.²³ Viewing program performance in light of program costs—for instance, by establishing the unit cost per output or outcome achieved—can be important on at least two levels. First, it can help Congress make informed decisions. Second, it can give the taxpayers a better understanding of what the government is providing in return for their tax dollars.

Consistent with GPRA's requirement that annual performance plans be tied to budget requests, the annual performance reports, which are to report progress toward achieving the goals established in the plans, are to link levels of performance to the budget expenditures. Directly calculating unit cost information will likely become more widespread when the Government Management Reform Act of 1994 (GMRA) is implemented. GMRA authorized OMB, upon proper notification to Congress, to consolidate and simplify management reports. The CFO Council has proposed that agencies prepare two annual reports: a Planning and Budgeting Report and an Accountability Report. The two consolidated reports would be used to present each agency's past financial and program performance and provide a roadmap for its future planning and budgeting actions. At present, OMB is having six agencies produce Accountability Reports on a pilot basis. The Accountability Report would eliminate the separate requirements under various laws—such as GPRA, the Federal Managers' Financial Integrity Act, the CFO Act, and the Prompt Payment Act.

Case Illustration: GPRA Pilot Projects' Fiscal Year 1994 Performance Reports

GPRA requires that each federal agency report annually on its performance—specifically, on the degree to which the agency is meeting its annual performance goals and on the actions needed to achieve those goals that have not been met. Under GPRA, OMB was required to select agencies to pilot GPRA performance planning and reporting

²³Financial Management: Continued Momentum Essential to Achieve CFO Act Goals (GAO/T-AIMD-96-10, Dec. 14, 1995).

requirements. Forty-four pilot projects submitted reports for the first round of performance reporting in 1995. We identified some individual features that when viewed as a whole, appear to have the potential for enhancing the general usefulness of future performance reports in providing decisionmakers and the public with the information needed to assess progress.²⁴ These features would also be appropriate for GMRA accountability reports.

Our initial observations suggest that GPRA performance reports are likely to be more useful if they

- describe the relationship between the agency's annual performance and its strategic goals and mission,
- include cost information,
- provide baseline and trend data,
- explain the uses of performance information,
- incorporate other relevant information, and
- present performance information in a user-friendly manner.

By describing how the annual performance information it has reported relates to its strategic goals and mission, an agency can help its customers and stakeholders understand the relationship between the year's accomplishments and the agency's long-range goals and reason for existence. By including cost information—ideally, unit cost per output or outcome—the agency can demonstrate the cost-effectiveness and productivity of its program efforts. In addition, by providing baseline and trend data—which show the agency's progress over time—the agency can give decisionmakers a more historical perspective within which to compare the year's performance with performance in past years. Similarly, by explaining the uses of the performance information—such as the actions the agency has taken or identified as needed, based on the data—the agency can help decisionmakers judge the reasonableness of its performance goals and decide upon actions they may need to take to improve the agency's performance. The report should include any other information that is relevant—such as the limitations in the quality of the reported data—that users of the report may need to help them better understand the performance data and its context. It is important, as well, that the text be understandable to the nontechnical reader—that it use clearly defined terms and appropriate, user-friendly tables and graphs to convey information as readily as possible.

²⁴GPRA Performance Reports (GAO/GGD-96-66R, Feb. 14, 1996).

Practice 8: Use Performance Information to Support Mission

As efforts continue to reduce federal spending, policymakers and the public alike are reexamining the federal government's spending priorities. Federal agencies are feeling the pressure to demonstrate that they are putting the taxpayers' money to sound use. They are expected to demonstrate improved performance even as they cut costs—two simultaneous demands that are driving the trend toward results-oriented government.

As they focus on the outcomes they hope to achieve, federal managers increasingly are finding that the traditional ways they measured their success—and thus the traditional ways they did business and provided services—are no longer appropriate or practical. For example, the new focus on outcomes is prompting some federal agencies to alter the approach of their programs, including working more closely with states and local governments and businesses. As agencies create information systems to provide them with cost and performance data, they discover that having the facts gives them a basis for focusing their efforts and improving their performance.

Case Illustration: Coast Guard

The mission of the Coast Guard's Office of Marine Safety, Security and Environmental Protection is to protect the public, the environment, and U.S. economic interests through the prevention and mitigation of marine incidents. In the past, the Coast Guard's marine safety program concentrated on the physical condition of vessels, through activities such as inspections and certifications. The program focused less attention on the human factors that contribute to marine safety. But as the office became more outcome-oriented and made more extensive use of performance information, it began to redirect its safety efforts. Coast Guard data indicate that its mission-effectiveness is now dramatically improved.

Traditionally, the Coast Guard based its marine safety efforts on inspections and certifications of vessels. It measured its performance by counting outputs, such as the number of prior inspections and outstanding inspection results. But the data on marine casualties indicated that accidents were often caused, not by deficiencies in the vessels or other factors, but by human error. For example, towing industry data for 1982 through 1991 showed that 18 percent of reported casualties were caused by equipment and material failures, 20 percent by environmental and other factors, and 62 percent by human factors.

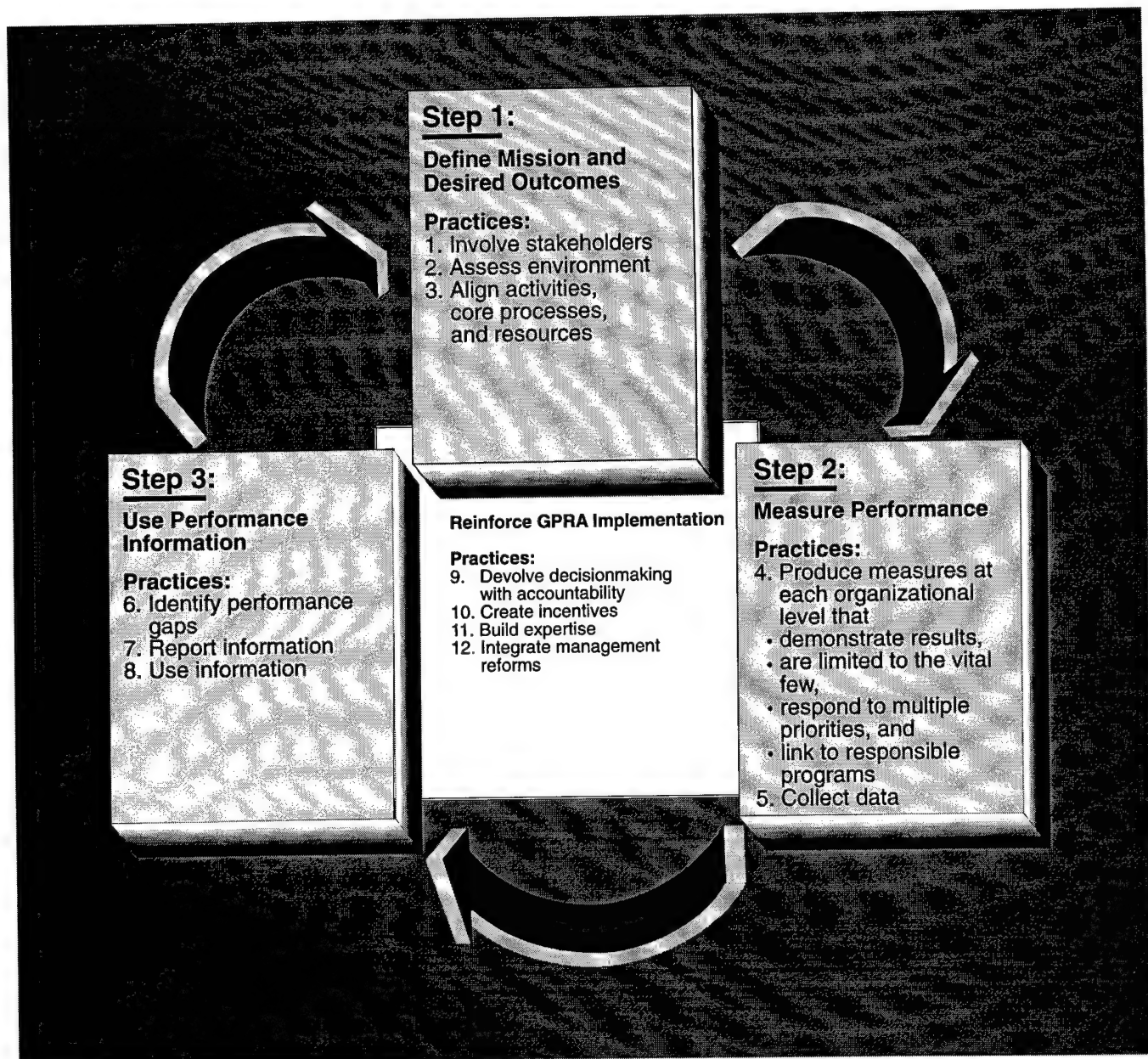
Putting this information to use, the Coast Guard changed the focus of its marine safety program from outputs to outcomes in its first business plan, dated January 1994. After all, it came to recognize, the mission of the marine safety program was not to do more and better inspections of vessels, but to save lives. As a result, the Coast Guard shifted its resources and realigned its processes away from inspections and toward other efforts to reduce marine casualties. In addition, it identified a significant role for the towing industry in the marine safety program and looked for opportunities to work with its stakeholders in the towing industry to reduce casualties in their field.

The Coast Guard and the towing industry worked to build the knowledge and skills of entry-level crew members in the industry. The Coast Guard and the towing industry jointly developed training and voluntary guidelines to reduce the causes of fatalities. This joint effort contributed to a significant decline in the reported towing industry fatality rate: from 91 per 100,000 industry employees in 1990 to 27 per 100,000 in 1995.

The marine safety program apparently not only improved its mission effectiveness, but did so with fewer people and at lower cost. Since the Coast Guard's marine safety program became a GPRA pilot program in fiscal year 1994, the number of direct program personnel declined and its budget was reduced by 2 percent. According to the Coast Guard, the program achieved its results by giving field commanders greater authority and by investing in activities and processes that went most directly to the goal of reducing risks on the water.

Leadership Practices Reinforce GPRA Implementation

Figure 5: Leadership Practices Reinforce GPRA Implementation



GPRA will not succeed without the strong commitment of the federal government's political and senior career leadership. Only they can ensure that each agency's strategic planning and performance measurement efforts will become the basis for its day-to-day operations. Moreover, only they can ensure that results-oriented management will endure despite the customarily high rate of turnover among political appointees.²⁵ Some of the practices they can take to reinforce results-oriented management are to

- devolve decisionmaking authority within a framework of mission-oriented processes in exchange for accountability for results,
- create incentives to encourage a focus on outcomes,
- build expertise in the necessary skills, and
- integrate management reforms.

If GPRA is to thrive over the long run, its concepts need to be made a part of organizational culture. For that to happen, the top leadership in each agency has to initiate results-oriented management, keep the agency focused on it, and embed its principles in the organization's basic approach to doing business.²⁶

Practice 9: Devolve Decisionmaking With Accountability

Leading organizations we studied create a set of mission-related processes and systems within which to operate, but they then give their managers extensive authority to pursue organizational goals while using those processes and systems. These organizations invest the time and effort to understand their processes and how those processes contribute to or hamper mission accomplishment. They then seek to ensure their processes provide managers at each organizational level with the authority and flexibility they need to contribute to the organization's mission. Allowing managers to bring their judgment to bear in meeting their responsibilities, rather than having them merely comply with overly rigid rules and standards, can help them make the most of their talents and lead to more effective and efficient operations.

In our work with foreign countries that have adopted results-oriented management, we found that two reforms in particular were aimed at enhancing accountability among line managers: simplifying the rules for such things as budgeting and human resource management while

²⁵Political Appointees: Turnover Rates in Executive Schedule Positions Requiring Senate Confirmation (GAO/GGD-94-115FS, Apr. 21, 1994).

²⁶Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).

devolving decisionmaking authority.²⁷ These two reforms were undertaken in exchange for managers assuming greater accountability for the results of their programs. Managers generally welcomed their new authority to make spending, personnel, and operational decisions that had formerly been made by central authorities. But although these countries were generally satisfied with the progress they had made, they continued to struggle with a number of important issues, such as the acceptable level of risk and the extent to which decisionmaking authority should be devolved to a given organizational level.

Case Illustration: Army Corps of Engineers

The U.S. Army Corps of Engineers' Civil Works Directorate's Operation and Maintenance Program is responsible for the stewardship of dams, levees, and other parts of the water resources infrastructure constructed by the Corps. Operation and maintenance expenditures had become by fiscal year 1990 the single largest individual program item in the Corps' budget. In 1991, faced with rising budget pressures, a growing project inventory, and the need to become more results-oriented, the Corps initiated a comprehensive review of its civil operation and maintenance program.

One major finding of the Corps' 1993 plan of improvement was the burdensome number of internal levels of review. At the majority of project sites, for example, procurement of items costing less than \$25,000 required between one and five signatures; each approval beyond the first one added to the time required for the procurement and created inefficiency, revenue loss, and a potential danger to the staff and public when safety corrections were delayed.

To remedy this situation, the Corps changed its processes by decentralizing its organizational structure and giving project managers new decisionmaking authority to help them achieve the desired outcomes. The intent of these changes was to put key operational decisions in the hands of the managers who were closest to the point of customer service. These managers could now focus on, and be held accountable for, achieving goals instead of merely complying with rules. Now procurements of up to \$25,000 can be approved by a single individual.

As part of this new approach, the Corps reformed its processes, revising its policies and procedures to ensure that only those that were necessary remained. It achieved this reduction, by and large, by indicating "what"

²⁷GAO/GGD-95-120, May 2, 1995.

was to be accomplished and leaving the “how” to the initiative of project staff. Eighty-nine engineering regulations were thereby consolidated into 7, and the number of pages of Corps’ regulations was reduced from 1,596 to 306.

This streamlining of its organization and processes allowed the Corps to reduce the number of its management levels. By the Corps’ estimate, the savings created amounted to about \$6 million annually and a reduction of 175 full-time equivalent staff years.

Practice 10: Create Incentives

Across government, the best incentive Congress and the executive branch can apply to foster results-oriented management is to use performance measurement data in their policy, program, and resource allocation decisions and to provide agencies with the authority and flexibility to achieve results. Like Congress and the executive branch, an agency’s top political and career leadership can encourage a greater accountability for results by providing managers at each level in the organization with the appropriate authority and flexibility to obtain those results.

Successful organizations we studied defined their missions clearly and communicated them to their employees—particularly to their managers—so that each one would understand his or her contribution. At both the organizational and managerial levels, accountability requires results-oriented goals and appropriate performance measures through which to gauge progress. Our study of several leading foreign governments, however, showed that although there was general agreement on how to hold organizations accountable for results, there was as yet no such agreement on how best to hold individual managers accountable.²⁸ New Zealand and the United Kingdom held their program managers accountable for efficiently providing specific goods and services. Australia and Canada, on the other hand, hold their program managers accountable for evaluating the overall effectiveness of their programs.

Congress and the executive branch continue to explore formal ways to hold individual managers accountable for results. At the agency level, however, informal incentives are available to leaders to encourage results-oriented management. Through meetings and personal contacts, for example, leaders can let managers and staff know of their commitment to achieving the agency’s goals and to keeping these goals in mind as they pursue their day-to-day activities.

²⁸GAO/GGD-95-120, May 2, 1995.

Case Illustration: Department of Veterans Affairs

The Department of Veterans Affairs (VA) comprises three agencies that provide services and benefits to veterans. The elevation of VA to cabinet-level status in 1989 spurred the department to make internal management improvements. To recognize and reinforce results-oriented management, VA instituted in 1992 a formal recognition program for quality achievement.

The Robert W. Carey Quality Award is VA's most prestigious award for quality achievement. It is named for Robert W. Carey, who, as the Director of VA's Philadelphia Regional Office, was a "Quality Leader" and champion of excellence in the federal government. The Carey Award helps promote quality management within VA by giving the department a prominent means of recognizing high-performing offices, encouraging outcome-oriented practices, and educating VA employees about the benefits of results-oriented management and customer service. According to a VA official, the Carey Award is valuable, in part, because VA offices that want it must apply for it and the application itself becomes a useful self-assessment tool.

VA announced its first Carey Award in 1992. There is one overall trophy winner annually along with several category winners. There have been 20 winners to date.

Practice 11: Build Expertise

To make the most of results-oriented management, staff at all levels of the organization must be skilled in strategic planning, performance measurement, and the use of performance information in decisionmaking. Training has proven to be an important tool for agencies that want to change their cultures.²⁹ Australian government employees, for example, cited training as one of the factors that contributed the most to making reforms succeed in their areas.³⁰

Results-oriented managers view training as an investment rather than an expense. And as human resource management experts at leading private and public organizations have pointed out, organizational learning must be continuous in order to meet changing customer needs, keep skills up to date, and develop new personal and organizational competencies.³¹ But at

²⁹Organizational Culture: Use of Training to Help Change DOD Inventory Management Culture (GAO/NSIAD-94-193, Aug. 30, 1994).

³⁰GAO/GGD-95-120, May 2, 1995.

³¹GAO/GGD-96-35, Dec. 26, 1995.

a time when overall agency budgets are under pressure, training budgets are unlikely to increase. Therefore, it is important that agencies develop innovative and less costly ways to train their staffs—remembering as well that the level of return for investing in the skills needed for results-oriented management will depend largely on how well employees are encouraged to put those skills to use.

Recognizing the value of training, especially for the people at the top of the organization, the CFO Council's GPRA Implementation Committee has begun an outreach effort directed toward senior managers in the 24 CFO Act agencies. The council's goals are to familiarize these leaders with GPRA's fundamentals and with the importance of these fundamentals for the future of federal management.

In addition, in response to an initiative of the American Society for Public Administration and with the encouragement of OMB, over 30 case studies are being developed on the agencies' use of strategic planning or performance measurement. These case studies, to be completed in the summer of 1996, are to be made publicly available.

Case Illustration: Department of Defense

The Department of Defense (DOD) is responsible for the military forces needed to deter war and protect the security of our country. DOD's major service branches—the Army, Navy, Marine Corps, and Air Force—consist of about 1.5 million men and women on active duty, 1 million members of the reserve components, and about 900,000 civilian employees. As with other federal agencies, performance information is becoming an increasingly important part of DOD's budget process. DOD's leadership has come to recognize that if the Department is to make results-oriented management a success, it must train its employees in strategic planning, performance measurement, and the use of performance information.

DOD officials recognized when they were considering various methods to deliver GPRA training that the costs—in both money and time—of providing training through traditional, live classroom instruction would be prohibitive. As an alternative, DOD is now testing the feasibility of training staff at its GPRA pilot agencies via satellite. This interactive approach can reach widely dispersed audiences less expensively than traditional methods. The GPRA course originates out of a studio and has been broadcast simultaneously to up to 20 sites around the country. Since the

first class in September 1995, the GPRA training has been delivered 3 times via satellite to 38 sites and has reached 760 people.

In developing its GPRA training, DOD decided to go beyond the traditional lecture approach to instruction. GPRA training has included exercises and panel discussions designed to make trainees think the way they will need to when the training is over and the real work of implementing GPRA begins. Participants have been asked, for instance, to develop mission statements for their home organizations and to develop strategic goals and performance measures. According to a DOD official, the classes have been well received.

DOD is also developing a self-paced GPRA course accessible on the Internet and is considering the use of CD-ROM technology.

Practice 12: Integrate Management Reforms

Within a given federal agency, the management reforms now under way may spring from various sources. Some of these reforms may be self-initiated, others may have been mandated by legislation, still others may be the result of administration initiatives such as the National Performance Review. All of this reform activity needs to be integrated, as the CFO Council urged in May 1995:

Existing planning, budgeting, program evaluation and fiscal accountability processes should be integrated with GPRA requirements to ensure consistency and reduce duplication of effort. In addition, other management improvement efforts, such as implementation of the CFO Act, and FMFIA [Federal Managers' Financial Integrity Act], customer service initiatives, reengineering, and Total Quality Management, etc., should be incorporated into the GPRA framework to capitalize on the synergy and availability of key information and to improve responsiveness to customers and other stakeholders.³²

Another management reform initiative that provides a legislative basis for measuring performance is the Information Technology Management Reform Act of 1996, which requires each federal agency to ensure that performance measures are prescribed for information technology that it will use or acquire and that the performance measures assess how well the information technology supports agency programs. In addition, the Federal Acquisition Streamlining Act of 1994 requires the head of each executive agency to approve or define the cost, performance, and schedule goals for major agency acquisition programs.

³²Implementation of the Government Performance and Results Act (GPRA), Chief Financial Officers Council, May 1995.

Taken together, these reforms can help redirect an organization's culture from the traditional focus on inputs and activities to a new focus on defining missions and achieving results.³³ Our work has shown, however, that the top leadership of each federal agency needs to meld these various reforms into a coherent, unified effort.³⁴ Top leadership—both political and career—needs to make clear its commitment to the fundamental principles of results-oriented management and ensure that managers and staff at all levels recognize that they must do the same. Traditionally, the danger to any management reform is that it can become a hollow, paper-driven exercise. Leaders who integrate results-oriented management into the culture and day-to-day activities of their organizations will help avoid that danger.

Case Illustration: Army Research Laboratory

The Army Research Laboratory (ARL) was established in October 1992 as a result of a realignment of a number of Army research and development organizations. It is now the central laboratory of the Army Materiel Command. At a time when both staffing levels and funding had been in decline since fiscal year 1989, ARL was given a major technological challenge—digitizing the battlefield for the U.S. Army. ARL concluded that to ensure that it had the capability to meet the new challenge and continue to conduct its mission of basic and applied research, it had to work in partnership with universities and the private sector, as well as operate more effectively and efficiently. This "Federated Laboratory" concept guided ARL as it integrated the various management reforms.

As a GPRA pilot program, ARL developed a strategic plan that included a mission statement and long-range goals. In addition, it has produced two yearly products: a performance plan with key measures and a report detailing its progress in meeting its goals. The annual reports have been integrated into ARL's planning and budgeting processes and are discussed by agency leadership at the Director's quarterly meetings. In addition, the reports have been tied into DOD's Planning, Programming, Budget, and Execution System. ARL's performance measures gauge the relevance of ARL's current work to the agency's long-term goals and give ARL's leaders indicators of productivity and quality. As part of its performance

³³Improving Government: Actions Needed to Sustain and Enhance Management Reforms (GAO/T-OCG-94-1, Jan. 27, 1994).

³⁴See, for example, Managing IRS: Important Strides Forward Since 1988 but More Needs to Be Done (GAO/GGD-91-74, Apr. 29, 1991); General Services Administration: Status of Management Improvement Efforts (GAO/GGD-91-59, Apr. 3, 1991); and Management of VA: Implementing Strategic Management Process Would Improve Service to Veterans (GAO/HRD-90-109, Aug. 31, 1990).

measurement efforts, ARL established customer service standards and sent surveys to its customers to obtain feedback on the quality of its work.

As a National Performance Review “reinvention laboratory,” ARL has been granted waivers by DOD and the Army from internal regulations in order to streamline its processes. For example, one such waiver allowed ARL to eliminate redundant reviews of certain procurements, thereby saving 5 workdays on each procurement. Saving time on administrative processes frees staff to perform the principal mission of the laboratory.

Facing pressures similar to those confronting federal managers to reduce costs and improve performance, leading state and foreign governments have responded by implementing management reform efforts consistent with GPRA. The experiences of these governments—and those of the federal GPRA pilots—demonstrate that each federal agency will need to chart its own course in response to its specific environment as it seeks to implement GPRA and become more results-oriented. Nonetheless, the experiences of the leading organizations suggest that the steps and practices discussed in this guide can assist agencies in successfully implementing GPRA. Federal agencies that apply the practices may find that their transition to a results orientation is quicker, smoother, and, most important, more successful in providing the effective and efficient government the American people deserve.

Overview of the Government Performance and Results Act

The Government Performance and Results Act (GPRA) is the primary legislative framework through which agencies will be required to set strategic goals, measure performance, and report on the degree to which goals were met. It requires each federal agency to develop, no later than by the end of fiscal year 1997, strategic plans that cover a period of at least 5 years and include the agency's mission statement; identify the agency's long-term strategic goals; and describe how the agency intends to achieve those goals through its activities and through its human, capital, information, and other resources. Under GPRA, agency strategic plans are the starting point for agencies to set annual goals for programs and to measure the performance of the programs in achieving those goals.

Also, GPRA requires each agency to submit to the Office of Management and Budget (OMB), beginning for fiscal year 1999, an annual performance plan. The first annual performance plans are to be submitted in the fall of 1997. The annual performance plan is to provide the direct linkage between the strategic goals outlined in the agency's strategic plan and what managers and employees do day-to-day. In essence, this plan is to contain the annual performance goals the agency will use to gauge its progress toward accomplishing its strategic goals and identify the performance measures the agency will use to assess its progress. Also, OMB will use individual agencies' performance plans to develop an overall federal government performance plan that OMB is to submit annually to Congress with the president's budget, beginning for fiscal year 1999.

GPRA requires that each agency submit to the President and to the appropriate authorization and appropriations committees of Congress an annual report on program performance for the previous fiscal year (copies are to be provided to other congressional committees and to the public upon request). The first of these reports, on program performance for fiscal year 1999, is due by March 31, 2000, and subsequent reports are due by March 31 for the years that follow. However, for fiscal years 2000 and 2001, agencies' reports are to include performance data beginning with fiscal year 1999. For each subsequent year, agencies are to include performance data for the year covered by the report and 3 prior years.

In each report, an agency is to review and discuss its performance compared with the performance goals it established in its annual performance plan. When a goal is not met, the agency's report is to explain the reasons the goal was not met; plans and schedules for meeting the goal; and, if the goal was impractical or not feasible, the reasons for that and the actions recommended. Actions needed to accomplish a goal could

include legislative, regulatory, or other actions or, when the agency found a goal to be impractical or infeasible, a discussion of whether the goal ought to be modified.

In addition to evaluating the progress made toward achieving annual goals established in the performance plan for the fiscal year covered by the report, an agency's program performance report is to evaluate the agency's performance plan for the fiscal year in which the performance report was submitted (for example, in their fiscal year 1999 performance reports, due by March 31, 2000, agencies are required to evaluate their performance plans for fiscal year 2000 on the basis of their reported performance in fiscal year 1999). This evaluation will help to show how an agency's actual performance is influencing its plans. Finally, the report is to include the summary findings of program evaluations completed during the fiscal year covered by the report.

Congress recognized that in some cases not all of the performance data will be available in time for the March 31 reporting date. In such cases, agencies are to provide whatever data are available, with a notation as to their incomplete status. Subsequent annual reports are to include the complete data as part of the trend information.

In crafting GPRA, Congress also recognized that managerial accountability for results is linked to managers having sufficient flexibility, discretion, and authority to accomplish desired results. GPRA authorizes agencies to apply for managerial flexibility waivers in their annual performance plans beginning with fiscal year 1999. The authority of agencies to request waivers of administrative procedural requirements and controls is intended to provide federal managers with more flexibility to structure agency systems to better support program goals. The nonstatutory requirements that OMB can waive under GPRA generally involve the allocation and use of resources, such as restrictions on shifting funds among items within a budget account. Agencies must report in their annual performance reports on the use and effectiveness of any GPRA managerial flexibility waivers that they receive.

GPRA calls for phased implementation so that selected pilot projects in the agencies can develop experience from implementing GPRA requirements in fiscal years 1994 through 1996 before implementation is required for all agencies. As of June 1996, 68 pilot projects for performance planning and performance reporting were under way in 24 agencies. OMB also is required to select at least five agencies from among the initial pilot agencies to pilot

managerial accountability and flexibility for fiscal years 1995 and 1996; however, as of June 1996 it had not done so.

Finally, GPRA requires OMB to select at least five agencies, at least three of which have had experience developing performance plans during the initial GPRA pilot phase, to test performance budgeting for fiscal years 1998 and 1999. Performance budgets to be prepared by pilot projects for performance budgeting are intended to provide Congress with information on the direct relationship between proposed program spending and expected program results and the anticipated effects of varying spending levels on results.

Objectives, Scope, and Methodology

Our objectives were to (1) identify and describe the practices most helpful to successfully implementing GPRA and related results-oriented management initiatives and (2) provide case illustrations of federal organizations that have made progress in implementing each practice. This report builds on (1) our 1994 report profiling leading private and public sector organizations that have successfully improved mission performance and program outcomes through the innovative use of information management and technology and (2) our 1995 report on the human resource management principles employed by selected public and private organizations to build and sustain high levels of organizational performance.³⁵ Together, these reports are intended to suggest frameworks for Congress and federal agencies to use in implementing GPRA and related results-oriented management initiatives.

To meet our first objective, we reviewed the experiences of leading public sector organizations that were successfully changing their management and accountability practices to be more results-oriented. As part of that effort, we issued separate reports on the experiences of six leading U.S. state and four foreign governments.³⁶ We also reviewed the management studies of 23 large federal departments and agencies that we did during the last decade as well as a broad array of our other management and program work. To supplement our work looking at leading organizations, we identified and reviewed a large body of literature on management reform, strategic planning, and performance measurement. From our work, we identified a number of practices common to successful efforts to become more results-oriented. We obtained input from a wide range of federal executives and managers and experts in public sector strategic planning, performance measurement, and program and policy evaluation, including those from the Departments of Defense, Commerce, Transportation, and the Treasury; OMB; the Office of Personnel Management; the National Academy of Public Administration; the Urban Institute; and the University of Southern California. On the basis of their comments and our continuing reviews of leading organizations, we consolidated and refined the list of practices to those presented in this guide.

To meet our second objective, we identified those federal agencies that were instituting results-oriented management from our ongoing work on the implementation of GPRA at 24 departments and large agencies (covering about 98 percent of the federal government's fiscal year 1994 outlays) and

³⁵GAO/AIMD-94-115, May 1994; and GAO/GGD-96-35, Dec. 26, 1995, respectively.

³⁶GAO/GGD-95-22, Dec. 21, 1994; and GAO/GGD-95-120, May 2, 1995. The methodologies for selecting these leading governments are detailed in the respective reports.

OMB's identification of agencies making early progress in implementing selected aspects of GPRA. In this way, we targeted our work toward agencies that would provide examples illustrating each of the practices. The fact that an organization is profiled for a particular practice is not meant to imply the organization's success or lack of success in meeting other practices. Moreover, underscoring the fact that implementing management changes required by GPRA will not come quickly, most of the agencies profiled began their results-oriented management before GPRA was enacted. We interviewed agency officials in program offices, strategic planning and quality management offices, and planning and evaluation offices. We also reviewed agency documents, such as strategic plans, performance plans, performance reports, program descriptions and documentation, and other related documents.

We did our work on this guide from January 1995 to March 1996 in Washington, D.C., in accordance with generally accepted government auditing standards. The steps and practices presented in this executive guide are largely a synthesis of previously published information and analysis.

We provided a draft of this guide to OMB, the CFO Council's GPRA Implementation Committee, and to the individual agencies profiled in the case illustrations for their review and comment. OMB noted that the guide and the practices suggested in it will help federal agencies as they implement GPRA. OMB also expressed support for the guide's focus on agency use of performance information to improve management and program performance and to demonstrate that federal agencies are using taxpayers' money effectively. OMB concurred with our observation that the federal government is at the beginning, rather than the end, of the process of turning itself into a more accountable, better managed, more effective organization. Finally, OMB noted that the development and refinement of performance measures will be an ongoing process.

We also provided copies of a draft of this guide for comment to the agency representatives on the CFO Council's GPRA Implementation Committee and incorporated their individual comments as appropriate. Generally, their comments suggested that the steps and practices we identified from the leading organizations studied were valid and complete, and that the case illustrations were accurate to the best of their knowledge. We also asked officials in each of the agencies profiled as case illustrations to verify the accuracy of the information presented on their respective agencies;

Appendix II
Objectives, Scope, and Methodology

however, we did not independently verify the accuracy of that information.

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